KBS | Real Estate Investment Trust III

March 1, 2019

Dear KBS REIT III Stockholder:

On December 3, 2018, KBS Real Estate Investment Trust III, Inc.'s (the "REIT") board of directors approved an updated estimated value per share of the REIT's common stock of $12.02. This estimated value per share is based on the estimated value of the REIT's assets less the estimated value of the REIT's liabilities, or net asset value, divided by the number of shares outstanding, all as of September 30, 2018, with the exception of certain adjustments.[1]

I am pleased to report that the $12.02 estimated value per share represents a 2.5% increase over the December 2017 estimated value per share of $11.73, and a 20.2% increase over the first initial public offering price of $10.00 per share. Combined with the $0.65 of dividends paid per share during the year ending December 2018, which is a dividend yield of 5.54% on the December 2017 estimated value per share, the REIT generated a total return of $0.94 per share or 8.01% on the December 2017 estimated value per share.

Portfolio Update

The increase year-over-year to $12.02 was driven by an increase in the total appraised value of the REIT's real estate properties versus a year earlier, as well as an increase in interest rate swap values as the REIT benefitted from its swaps while interest rates rose in the last year. With respect to real estate values, the following properties experienced the most significant changes in value in 2018:

Sterling Plaza, Dallas, Texas

The appraised value increased $13.3 million, or 13.3%, from the prior year appraised value due to the following:

- The general Dallas office market continues to improve due to overall population growth, job growth (Dallas is 2nd in the nation), lower cost of living, and the pro-business environment. The broader market is currently tracking 8,350,000 RSF of lease deals less than 400,000 RSF and greater than 40,000 RSF, up from the annual average of 6,744,591 RSF since 2011. Rental rates for both Class A and B office space are at all-time highs with an average year-over-year rent growth of 2.15% in Class A office space from 2016 to present. In addition to these overall market factors, the property's submarket, which is well located with barriers to entry, continues to be one of the highest performing submarkets with low vacancy and high rental rate growth.

Domain Gateway, Austin, Texas

The appraised value increased $12.0 million, or 20.8%, from the prior year appraised value due to the following:

- Market rental rates have increased significantly in Austin, but particularly within the property's micro-market. Specifically, at Domain Gateway, the appraiser's year 1 net rental rates between the current and prior year appraisals increased by more than 14%.
- Investor appetite for office product in Austin remains strong as Austin is among the most sought after and healthiest office markets in the country. This is evidenced by record shattering price per foot sale numbers across the market including valuations approaching $800 per square foot in the CBD.

Hardware Village, Salt Lake City, Utah

The appraised value increased to $22.5 million above the cost basis on this multifamily development deal, from a value equal to the cost basis in the prior year:

- The increase is mostly due to strong recent sales comps in the market and ongoing demand for high-quality multifamily properties in Salt Lake City which is seeing strong employment growth.
- Construction of the first of two buildings is now completed, as is the amenity deck. Construction of the second building is expected to be completed in Q2 2019. The project in total will have 453 units.
- The property is currently leasing units in the first building, and the property is anticipating a large upswing in net leasing to 25-40 units per month once spring begins, such that occupancy stabilizes toward the end of 2019.

500 West Madison, Chicago, Illinois

The appraised value decreased $27.0 million, or 5.2%, from prior year appraised value due to the following:

- New inventory has been delivered to the market and tenants continue to "right-size," causing direct vacancy in the West Loop submarket to increase to 13.3%, up from an average of 11.6% over the past three years, and also causing rent concessions and tenant improvement allowances to increase as landlords compete for tenants.
- Over the past year, five tenants notified us of their intent to leave upon lease expiration. This totals 255,000 SF across the tower which will need to be leased.
- The current year's reduced appraisal value reflects the property's upcoming vacancies and the market dynamics of higher tenant improvement allowances, higher rent concessions, and assumed additional time to lease space.

We are very pleased with the performance of the portfolio overall, which was valued at approximately $4.3 billion as of September 30, 2018, with a cost basis of approximately $3.8 billion. The portfolio encompassed more than 11 million rentable square feet and was 94.5% leased as of September 30, 2018, including leases signed but not yet commenced.

Final Remarks

Overall, we are very pleased with the performance of this high-quality portfolio. We are also pleased to have finished construction of Village Center Station II and then the buyout of our joint venture partner on the deal, in 2018. The REIT now owns the building, which is the last building in the desirable Village Center Station Complex in suburban Denver, and it is 100% leased through June 2028 to Charter Communications. The completion of the Village Center Station II project will further enhance the strong cash flows of the REIT.

Looking forward to the rest of 2019, the REIT's objectives include: 1) completing certain property renovations or amenity enhancements with a goal of attracting quality tenants. 2) completing construction of Hardware Village and accelerating its lease-up; (3) leasing up and stabilizing certain properties in the portfolio at high rental rates; (4) distributing operating cash flows to stockholders; (5) continuing to look for opportunistic asset sales in order to maximize value and (6) continuing to evaluate strategic alternatives.

Thank you for your continued confidence and support of KBS REIT III. I look forward to providing you with future updates.

Sincerely,

Charles J. Schreiber, Jr.
Chief Executive Officer

IMPORTANT DISCLOSURES

[1] Adjustments to the REIT's net asset value were made for the acquisition and assumed loan costs related to the REIT's buyout of a joint venture partner's equity interest in a joint venture that closed subsequent to September 30, 2018 and a reduction to the REIT's net asset value for deferred financing costs related to a portfolio revolving loan facility that closed subsequent to September 30, 2018.

For more information on the estimated value per share, including a full description of the limitations, methodologies and assumptions used to value the REIT's assets and liabilities, and used in the calculation of the estimated value per share, see the REIT's Form 8-K filed with the Securities and Exchange Commission on December 6, 2018 In addition, you can view the December 2018 Valuation Presentation online at www.kbs-cmg.com, by clicking on "KBS Real Estate Investment Trust III" under "Offerings" and visiting the "Investor Information" section.

This material includes forward-looking statements within the meaning of the Federal Private Securities Litigation Reform Act of 1995. The REIT intends that such forward-looking statements be subject to the safe harbors created by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include statements regarding the intent, belief or current expectations of the REIT and members of its management team, as well as the assumptions on which such statements are based, and generally are identified by the use of words such as "may," "will," "seeks," "anticipates," "believes," "estimates," "expects," "plans," "intends," "should" or similar expressions. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made. The REIT undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time, unless required by law. Such statements are subject to known and unknown risks and uncertainties which could cause actual results to differ materially from those contemplated by such forward- looking statements. The REIT makes no representation or warranty (express or implied) about the accuracy of any such forward- looking statements. These statements are based on a number of assumptions involving the judgment of management. The appraisal methodology for the REIT's real estate properties assumes the properties realize the projected NOI and expected exit cap rates and that investors would be willing to invest in such properties at yields equal to the expected discount rates. Though the appraisals of the real estate properties, with respect to Duff & Phelps, and the valuation estimates used in calculating the estimated value per share, with respect to Duff & Phelps, the Advisor and the REIT, are the respective party's best estimates as of September 30, 2018 or December 3, 2018, as applicable, the REIT can give no assurance in this regard. Even small changes to these assumptions could result in significant differences in the appraised values of the real estate properties and the estimated value per share. These statements also depend on factors such as: future economic, competitive and market conditions; the REIT's ability to maintain occupancy levels and rental rates at its real estate properties; and other risks identified in Part I, Item 1A of the REIT's Annual Report on Form 10-K for the year ended December 31, 2017, and Part II, Item 1A of the REIT's Quarterly Report on Form 10-Q for the period ended September 30, 2018, each as filed with the SEC. Actual events may cause the value and returns on the REIT's investments to be less than that used for purposes of the REIT's estimated value per share.